

**STATE BONDING FUND  
INVESTMENT PERFORMANCE REPORT AS OF DECEMBER 31, 2006**

|  | December-06      |               |               |                 |               | September-06     |               |               |                 | Current       | Prior Year    | 3 Years             | 5 Years             |
|--|------------------|---------------|---------------|-----------------|---------------|------------------|---------------|---------------|-----------------|---------------|---------------|---------------------|---------------------|
|  | Market Value     | Allocation    | Policy        | Quarter Net ROR | Month Net ROR | Market Value     | Allocation    | Policy        | Quarter Net ROR | FYTD Net      | FY06 Net      | Ended 6/30/2006 Net | Ended 6/30/2006 Net |
| <b>LARGE CAP DOMESTIC EQUITY</b>               |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <i>Structured Growth</i>                       |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| Los Angeles Capital                            | 80,202           | 2.8%          | 2.8%          | 7.40%           | 0.16%         | 76,653           | 2.7%          | 2.8%          | 1.60%           | 9.12%         | 11.12%        | N/A                 | N/A                 |
| <b>Total Structured Growth</b>                 | <b>80,202</b>    | <b>2.8%</b>   | <b>2.8%</b>   | <b>7.40%</b>    | <b>0.16%</b>  | <b>76,653</b>    | <b>2.7%</b>   | <b>2.8%</b>   | <b>1.60%</b>    | <b>9.12%</b>  | <b>11.12%</b> | <b>12.01%</b>       | <b>-0.32%</b>       |
| <i>Russell 1000 Growth</i>                     |                  |               |               | 5.93%           | 0.34%         |                  |               |               | 3.94%           | 10.10%        | 6.12%         | 8.35%               | -0.76%              |
| <i>Structured Value</i>                        |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>LSV</b>                                     | <b>88,774</b>    | <b>3.1%</b>   | <b>2.8%</b>   | <b>8.09%</b>    | <b>1.93%</b>  | <b>84,460</b>    | <b>3.0%</b>   | <b>2.8%</b>   | <b>4.90%</b>    | <b>13.39%</b> | <b>15.05%</b> | <b>21.14%</b>       | <b>12.22%</b>       |
| <i>Russell 1000 Value</i>                      |                  |               |               | 8.00%           | 2.24%         |                  |               |               | 6.22%           | 14.72%        | 12.10%        | 15.70%              | 6.89%               |
| <i>Russell 1000 Enhanced Index</i>             |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>LA Capital</b>                              | <b>168,219</b>   | <b>5.8%</b>   | <b>5.6%</b>   | <b>7.67%</b>    | <b>1.05%</b>  | <b>152,896</b>   | <b>5.4%</b>   | <b>5.6%</b>   | <b>3.71%</b>    | <b>11.66%</b> | <b>11.58%</b> | <b>N/A</b>          | <b>N/A</b>          |
| <i>Russell 1000</i>                            |                  |               |               | 6.95%           | 1.28%         |                  |               |               | 5.06%           | 12.36%        | 9.08%         | N/A                 | N/A                 |
| <i>S&amp;P 500 Enhanced Index</i>              |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>Westridge</b>                               | <b>169,491</b>   | <b>5.9%</b>   | <b>5.6%</b>   | <b>6.86%</b>    | <b>1.43%</b>  | <b>163,265</b>   | <b>5.8%</b>   | <b>5.6%</b>   | <b>5.75%</b>    | <b>13.00%</b> | <b>8.77%</b>  | <b>N/A</b>          | <b>N/A</b>          |
| <i>S&amp;P 500</i>                             |                  |               |               | 6.70%           | 1.40%         |                  |               |               | 5.67%           | 12.74%        | 8.63%         | N/A                 | N/A                 |
| <i>Index</i>                                   |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| State Street                                   | 59,571           |               |               | 8.03%           | 2.51%         | 56,716           |               |               | 5.78%           | 14.28%        | 9.51%         | 11.47%              | 2.62%               |
| <b>Total 130/30</b>                            | <b>59,571</b>    | <b>2.1%</b>   | <b>1.9%</b>   | <b>8.03%</b>    | <b>2.51%</b>  | <b>56,716</b>    | <b>2.0%</b>   | <b>1.9%</b>   | <b>5.78%</b>    | <b>14.28%</b> | <b>9.51%</b>  | <b>11.47%</b>       | <b>2.62%</b>        |
| <i>S&amp;P 500</i>                             |                  |               |               | 6.70%           | 1.40%         |                  |               |               | 5.67%           | 12.74%        | 8.63%         | 11.22%              | 2.49%               |
| <b>TOTAL LARGE CAP DOMESTIC EQUITY</b>         | <b>566,257</b>   | <b>19.5%</b>  | <b>18.8%</b>  | <b>7.50%</b>    | <b>1.32%</b>  | <b>533,990</b>   | <b>19.0%</b>  | <b>18.8%</b>  | <b>4.49%</b>    | <b>12.32%</b> | <b>10.95%</b> | <b>13.63%</b>       | <b>3.95%</b>        |
| <i>S&amp;P 500</i>                             |                  |               |               | 6.70%           | 1.40%         |                  |               |               | 5.67%           | 12.74%        | 8.63%         | 11.22%              | 2.49%               |
| <b>SMALL CAP DOMESTIC EQUITY</b>               |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <i>Manager-of-Managers</i>                     |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>SEI</b>                                     | <b>191,443</b>   | <b>6.6%</b>   | <b>6.3%</b>   | <b>8.82%</b>    | <b>0.32%</b>  | <b>175,728</b>   | <b>6.3%</b>   | <b>6.3%</b>   | <b>-0.01%</b>   | <b>8.81%</b>  | <b>13.58%</b> | <b>18.20%</b>       | <b>7.84%</b>        |
| <i>Russell 2000 + 200bp</i>                    |                  |               |               | 9.43%           | 0.50%         |                  |               |               | 0.94%           | 10.46%        | 16.86%        | 21.06%              | 10.38%              |
| <b>TOTAL SMALL CAP DOMESTIC EQUITY</b>         | <b>191,443</b>   | <b>6.6%</b>   | <b>6.3%</b>   | <b>8.82%</b>    | <b>0.32%</b>  | <b>175,728</b>   | <b>6.3%</b>   | <b>6.3%</b>   | <b>-0.01%</b>   | <b>8.81%</b>  | <b>13.58%</b> | <b>18.20%</b>       | <b>7.86%</b>        |
| <i>Russell 2000</i>                            |                  |               |               | 8.90%           | 0.33%         |                  |               |               | 0.44%           | 9.38%         | 14.58%        | 18.70%              | 8.50%               |
| <b>INTERNATIONAL EQUITY</b>                    |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <i>Large Cap - Active</i>                      |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| Capital Guardian                               | 124,666          | 4.3%          | 4.0%          | 8.53%           | 3.03%         | 114,737          | 4.1%          | 4.0%          | 5.02%           | 13.98%        | 28.07%        | 20.99%              | 6.90%               |
| LSV  | 123,882          | 4.3%          | 4.0%          | 10.66%          | 4.55%         | 111,972          | 4.0%          | 4.0%          | 6.24%           | 17.56%        | 27.09%        | N/A                 | N/A                 |
| <b>Total Large Cap - Active</b>                | <b>248,549</b>   | <b>8.6%</b>   | <b>8.0%</b>   | <b>9.58%</b>    | <b>3.78%</b>  | <b>226,709</b>   | <b>8.1%</b>   | <b>8.0%</b>   | <b>5.62%</b>    | <b>15.74%</b> | <b>27.66%</b> | <b>21.92%</b>       | <b>12.63%</b>       |
| <i>MSCI EAFE - 50% Hedged</i>                  |                  |               |               | 9.06%           | 3.79%         |                  |               |               | 4.87%           | 14.37%        | 26.72%        | 22.56%              | 6.89%               |
| <i>Small Cap - Value</i>                       |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>Lazard</b>                                  | <b>30,538</b>    | <b>1.1%</b>   | <b>1.0%</b>   | <b>14.66%</b>   | <b>4.20%</b>  | <b>26,635</b>    | <b>0.9%</b>   | <b>1.0%</b>   | <b>0.72%</b>    | <b>15.49%</b> | <b>23.65%</b> | <b>28.06%</b>       | <b>N/A</b>          |
| <i>Citigroup Broad Market Index &lt; \$2BN</i> |                  |               |               | 11.41%          | 3.40%         |                  |               |               | 1.53%           | 13.11%        | 29.28%        | 32.40%              | N/A                 |
| <i>Small Cap - Growth</i>                      |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>Vanguard</b>                                | <b>30,971</b>    | <b>1.1%</b>   | <b>1.0%</b>   | <b>12.63%</b>   | <b>3.92%</b>  | <b>27,500</b>    | <b>1.0%</b>   | <b>1.0%</b>   | <b>3.73%</b>    | <b>16.83%</b> | <b>29.24%</b> | <b>32.39%</b>       | <b>N/A</b>          |
| <i>Citigroup Broad Market Index &lt; \$2BN</i> |                  |               |               | 11.41%          | 3.40%         |                  |               |               | 1.53%           | 13.11%        | 29.28%        | 32.40%              | N/A                 |
| <b>TOTAL INTERNATIONAL EQUITY</b>              | <b>310,058</b>   | <b>10.7%</b>  | <b>10.0%</b>  | <b>10.35%</b>   | <b>3.84%</b>  | <b>280,844</b>   | <b>10.0%</b>  | <b>10.0%</b>  | <b>4.93%</b>    | <b>15.79%</b> | <b>27.35%</b> | <b>23.83%</b>       | <b>8.67%</b>        |
| <i>MSCI EAFE - 50% Hedged</i>                  |                  |               |               | 9.06%           | 3.79%         |                  |               |               | 4.87%           | 14.37%        | 26.72%        | 22.56%              | 6.89%               |
| <b>DOMESTIC FIXED INCOME</b>                   |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <i>Core Bond</i>                               |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>Western Asset</b>                           | <b>545,139</b>   | <b>18.8%</b>  | <b>19.0%</b>  | <b>2.01%</b>    | <b>-0.36%</b> | <b>531,335</b>   | <b>18.9%</b>  | <b>19.0%</b>  | <b>4.45%</b>    | <b>6.56%</b>  | <b>-0.90%</b> | <b>7.36%</b>        | <b>8.59%</b>        |
| <i>Lehman Aggregate</i>                        |                  |               |               | 1.24%           | -0.58%        |                  |               |               | 3.81%           | 5.09%         | -0.81%        | 2.05%               | 4.97%               |
| <i>Core Plus/Enhanced</i>                      |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| Clifton Group                                  | 124,064          | 4.3%          | 4.4%          | 0.66%           | -0.69%        | 122,558          | 4.4%          | 4.4%          | N/A             | N/A           | N/A           | N/A                 | N/A                 |
| Prudential                                     | 124,236          | 4.3%          | 4.4%          | 1.88%           | -0.39%        | 121,190          | 4.3%          | 4.4%          | N/A             | N/A           | N/A           | N/A                 | N/A                 |
| <b>Total Core Plus/Enhanced</b>                | <b>248,300</b>   | <b>8.6%</b>   | <b>8.8%</b>   | <b>1.27%</b>    | <b>-0.54%</b> | <b>243,748</b>   | <b>8.7%</b>   | <b>8.8%</b>   | <b>N/A</b>      | <b>N/A</b>    | <b>N/A</b>    | <b>N/A</b>          | <b>N/A</b>          |
| <i>Lehman Aggregate</i>                        |                  |               |               | 1.24%           | -0.58%        |                  |               |               | 3.81%           |               |               |                     |                     |
| <i>Index</i>                                   |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>Bank of ND</b>                              | <b>229,327</b>   | <b>7.9%</b>   | <b>8.3%</b>   | <b>1.31%</b>    | <b>-0.40%</b> | <b>233,697</b>   | <b>8.3%</b>   | <b>8.3%</b>   | <b>3.10%</b>    | <b>4.46%</b>  | <b>-1.14%</b> | <b>1.14%</b>        | <b>4.90%</b>        |
| <i>Lehman Gov/Credit (1)</i>                   |                  |               |               | 1.04%           | -0.76%        |                  |               |               | 3.91%           | 4.99%         | -1.52%        | 1.04%               | 4.78%               |
| <i>BBB Average Quality</i>                     |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>Wells Capital (formerly Strong)</b>         | <b>543,583</b>   | <b>18.8%</b>  | <b>19.0%</b>  | <b>1.75%</b>    | <b>-0.69%</b> | <b>531,191</b>   | <b>18.9%</b>  | <b>19.0%</b>  | <b>4.60%</b>    | <b>6.43%</b>  | <b>-2.11%</b> | <b>2.63%</b>        | <b>N/A</b>          |
| <i>Lehman US Credit BAA</i>                    |                  |               |               | 1.49%           | -0.94%        |                  |               |               | 4.80%           | 6.36%         | -2.37%        | 2.63%               | N/A                 |
| <b>TOTAL DOMESTIC FIXED INCOME</b>             | <b>1,566,348</b> | <b>54.1%</b>  | <b>55.0%</b>  | <b>1.70%</b>    | <b>-0.51%</b> | <b>1,539,971</b> | <b>54.8%</b>  | <b>55.0%</b>  | <b>4.28%</b>    | <b>6.06%</b>  | <b>-1.39%</b> | <b>6.59%</b>        | <b>7.79%</b>        |
| <i>Lehman Aggregate (2)</i>                    |                  |               |               | 1.24%           | -0.58%        |                  |               |               | 3.81%           | 5.09%         | -0.81%        | 1.84%               | 5.28%               |
| <b>CASH EQUIVALENTS</b>                        |                  |               |               |                 |               |                  |               |               |                 |               |               |                     |                     |
| <b>Bank of ND</b>                              | <b>263,060</b>   | <b>9.1%</b>   | <b>10.0%</b>  | <b>1.32%</b>    | <b>0.44%</b>  | <b>277,253</b>   | <b>9.9%</b>   | <b>10.0%</b>  | <b>1.35%</b>    | <b>2.68%</b>  | <b>4.50%</b>  | <b>2.71%</b>        | <b>2.42%</b>        |
| <i>90 Day T-Bill</i>                           |                  |               |               | 1.26%           | 0.44%         |                  |               |               | 1.33%           | 2.60%         | 4.00%         | 2.37%               | 2.25%               |
| <b>TOTAL BONDING FUND</b>                      | <b>2,897,167</b> | <b>100.0%</b> | <b>100.0%</b> | <b>4.08%</b>    | <b>0.45%</b>  | <b>2,807,786</b> | <b>100.0%</b> | <b>100.0%</b> | <b>3.84%</b>    | <b>8.08%</b>  | <b>5.28%</b>  | <b>7.24%</b>        | <b>5.20%</b>        |
| <b>POLICY TARGET BENCHMARK</b>                 |                  |               |               | <b>3.50%</b>    | <b>0.39%</b>  |                  |               |               | <b>3.81%</b>    | <b>7.44%</b>  | <b>4.99%</b>  | <b>6.57%</b>        | <b>5.10%</b>        |

NOTE: Monthly returns and market values are preliminary and subject to change.

(1) From April 1, 2004, through June 30, 2005, the benchmark was the LB Intermediate Govt/Credit index.

(2) Prior to July 1, 2005, the benchmark was LB Govt/Credit Index.